Michigan Deptartment of Treasury 495 (2-04)

Issued under P.A. 2 of 1968, as an	eaures Repo				County	
Local Government Type City Township	☐Village ✓Other	AUGRES-SIMS	I Government Name IGRES-SIMS SCHOOL DISTRICT			NAC
Audit Date 6/30/05	Opinion Date 8/16/04		Accountant Report Subm 23/05	itted to State:		
We have audited the finan accordance with the State Financial Statements for Co	ements of the Governr	mental Accounting	Standards Board	(GASB) and t	he <i>Uniform</i> I	Reporting Format for
We affirm that:	the Bulletin for the Aug	dita of Local Units o	of Coverament in Mi	ahigan an rayin	ad	
We have complied with				criigari as revis	ea.	
We are certified public	•		•			
We further affirm the follow comments and recommend		ive been disclosed	in the financial stat	ements, includi	ng the notes,	, or in the report of
You must check the applica	ble box for each item be	elow.				
☐ Yes 📝 No 1. Ce	ertain component units/fi	unds/agencies of th	ne local unit are exc	luded from the	financial sta	tements.
	ere are accumulated d 5 of 1980).	eficits in one or m	ore of this unit's ur	reserved fund	balances/ret	ained earnings (P.A
	ere are instances of namended).	on-compliance with	the Uniform Acco	ounting and Bu	udgeting Act	(P.A. 2 of 1968, a
	No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.					
	The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).					
Yes No 6. The	e local unit has been de	linquent in distribut	ing tax revenues th	at were collecte	ed for anothe	r taxing unit.
Yes 🗸 No 7. per	e local unit has violate nsion benefits (normal o dits are more than the r	costs) in the currer	nt year. If the plan	is more than 1	00% funded	and the overfunding
	Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 199 (MCL 129.241).					
Yes 🕢 No 9. The	e local unit has not adop	oted an investment	policy as required b	y P.A. 196 of 1	1997 (MCL 12	29.95).
We have enclosed the foli	owing:			Enclosed	To Be Forwarde	Not d Required
The letter of comments and	recommendations.					/
Reports on individual federal financial assistance programs (program audits).						/
Single Audit Reports (ASLG	GU).					· /
Certified Public Accountant (Firm N		C THOMAS DO				
Street Address 4855 STATE STREET	AITO, SOFIAUWAN C	, , , , , , , , , , , , , , , , , , ,	City			ZIP. 48603
	chen at	lon	- JAGINAW		Date 11/23/05	-1000

AUGRES-SIMS SCHOOL DISTRICT AuGres, Michigan

FINANCIAL STATEMENTS June 30, 2005

AUGRES-SIMS SCHOOL DISTRICT AUGRES, MICHIGAN JUNE 30, 2005

BOARD OF EDUCATION

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ADMINISTRATION

Robert E. Colby

Superintendent

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CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner Giacamo Provenzano James R. Schauman Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

August 16, 2005

To the Board of Education AuGres-Sims School District AuGres, Michigan

We have audited the accompanying financial statements of the governmental activities of AuGres-Sims School District, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of AuGres-Sims School District 's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the AuGres-Sims School District as of June 30, 2005, and the respective changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education AuGres-Sims School District Page Two

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2005, on our consideration of AuGres-Sims School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Devoluer, Preveryone Dehouman, 3 Thomas P. (.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents management's discussion and analysis of AuGres-Sims School District's performance during the fiscal year ending June 30, 2005 and June 30, 2004. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the School District.

Annual Report

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, and supplemental information. The financial statements are divided into two sections. The District-Wide Financial Statements (Government-Wide Financial Statements) provide information about the activities of the School District as a whole. They present a year-end aggregate view and a longer-term view of the District's finances. All funds and capital assets are combined. The Fund Financial Statements (Governmental Fund Statements) provide more detail showing the year's activity by fund. They also show the amount available to finance future programs. Fund Statements do not include long-term items such as capital assets or long-term debt.

District-Wide Financial Statements

The District-Wide Financial Statements appear first in the financial statements. They present information on the School District as a whole. They show net assets and a statement of activities for the year. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net assets, the difference between assets and liabilities, are one way of measuring the financial health of the School District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net assets. Increases or decreases in net assets, over time, affect the financial health of the District. However, the goal of the School District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

AUGRES-SIMS SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Fund Financial Statements

The Fund Financial Statements provide detailed information on a fund level instead of the School District as a whole. Some funds are required to be established by State law and by bond covenants. Many of the other funds are created to help control and manage money for a particular purpose or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the School District focus on showing how money flows into and out of funds and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the School District. This helps determine whether more or fewer financial resources are available for future programs. An accounting method called modified accrual accounting is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The relationship between governmental activities (District-Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the annual report.

Agency and Trust Accounts

The School District acts as an agent for various student activity funds. These net assets are reported in separate statements. We exclude these net assets from the School District's other financial statement because we cannot use these assets to finance our operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Summary of District-Wide Financial Statement

Table 1 provides a summary of our net assets as of June 30, 2005 and June 30, 2004. They represent the School District as a whole.

	2005	2004
Assets		
Current and other assets Capital assets -	\$ 1,521,017	\$ 1,949,338
net of accumulated depreciation	7,199,843	7,415,337
Total Assets	8,720,860	9,364,675
Liabilities		
Current liabilities	775,926	632,959
Long-term liabilities	5,247,222	5,308,494
Total Liabilities	6,023,148	5,941,453
Net assets		
Invested in capital assets -		
net of related debt	1,964,843	2,240,983
Restricted for debt service	167,563	311,285
Unrestricted	565,306	870,954
Total Net Assets	\$ 2,697,712	\$ 3,423,222

Analysis of Overall Financial Position and Results of Operations

The school district's net assets were \$2,697,712 as of June 30, 2005. Capital assets, net of related debt, totaled \$1,964,843. This represents the original cost, less depreciation of the School District's capital assets, less long-term debt related to capital assets. Restricted net assets of \$167,563 are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets was unrestricted. The \$565,306 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operation for the School District as a whole are reported in the statement of Activities, which shows the changes in net assets for fiscal year 2005.

AUGRES-SIMS SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Analysis of Overall Financial Position and Results of Operations (cont.)

Revenue	2005	2004
Program revenue		
Charges for services	\$ 132,301	\$ 128,655
Grants and contributions	689,042	747,021
General revenue		
Property taxes	2,083,964	1,749,275
State foundation allowance	1,848,378	2,157,380
Other	38,450	42,981
Total Revenue	4,792,135	4,825,312
Function/Program expenses		
Instruction	2,579,576	2,598,077
Support services	1,491,288	1,458,803
Community services	7,561	9,095
Food services	243,539	232,906
Athletics	73,068	80,827
Interest & misc. expense on		
long-term debt	414,464	293,371
Depreciation (unallocated)	356,629	390,646
Total Expenses	5,166,125	5,063,725
Increase (decrease) in Net Assets	\$ (373,990)	\$ (238,413)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$5,166,125. Certain activities were partially funded from those who benefited from the programs, \$132,301, or by other governments and organizations that subsidized certain programs with grants and categoricals, \$689,031. We paid for the remaining "public benefit" portion of our governmental activities with \$2,083,964 in taxes, \$1,848,378 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

AUGRES-SIMS SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Analysis of Overall Financial Position and Results of Operations (cont.)

The School District experienced a decrease in net assets of \$373,990. The assets decreased primarily as a result of ongoing operations in the School District. In addition, long-term debt payments increased by \$121,093 in 2005.

As discussed above, the net cost shows the financial burden that was placed on the State and the AuGres-Sims School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

School District's Funds

As the School District completed this year, the governmental funds reported a combined fund balance of \$1,038,728, which is a decrease of \$435,026 from last year. In the General Fund, our principal operating fund, the balance decreased by \$289,955 to \$871,165. The decrease in the fund balance was the result of the District providing the same level of service while funding from the State was reduced. This decrease was not as large as the District had anticipated. The overall, actual General Fund revenue was within 98 percent of budgeted amounts.

The Special Revenue fund balance includes Athletic and Food Service. The Athletic fund has remained relatively stable. The Food Service Fund balance decreased \$1,350 to \$0. The decrease in the fund balance was the result of increased costs in both food purchases and health insurance.

The Debt Service Fund showed a fund balance decrease of \$143,721. The decrease in the fund balance was the result of the cost associated with the District refinancing the 1999 School Building and Site Bonds. Millage rates are determined annually to ensure that the School District accumulates sufficient funds to pay annual bond issue-related debt service. The fund balance in the Debt Service Fund is reserved since they can only be used to pay debt service obligations.

Fund Budget Analysis

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the District revises its budget to reflect changes in revenues and expenditures. For fiscal year 2004-05 the budget was amended November 2004, February 2005, and May 2005. A budgetary comparison schedule showing the school district's original budget and final amended budget amounts compared with actual amounts for revenue and expenditures is provided in required supplemental information of these financial statements.

Final Budget vs. Original Budget

The general fund original budget revenues were \$59,671 more than the final budget estimate of \$4,073,476, or about 1.5%. Significant changes to the general fund original revenue budget were as follows:

- Local revenues increased overall by \$329,686. This increase was the combination of an increase in interest income and an increase in property tax revenues as a result of the Department of Treasury audit of the TIFA district of the City of AuGres.
- State revenues decreased overall by \$380,926. This decrease was a combination of a decline in enrollment and the overstatement of captured assessed value that was disclosed as a result of the Department of Treasury audit of the TIFA district of the City of AuGres.

The general fund original budget expenditures were \$135,353 less than the final budget estimate of \$4,399,667, or about 3%. The original budget was amended to include the following changes:

- An additional \$34,012 added in transportation for the purchase of a new school bus.
- Building improvement services was amended for the replacement of a roof in the amount of \$68,242, and \$10,000 for part of the construction of the Athletic Complex.

Actual vs. Final Budget

The general fund actual revenues were \$118 less than the final revenue budget estimate of \$4,073,476. Management believes this variance is not significant.

The general fund actual expenditures were \$36,354 less than the final expenditure budget projection of \$4,399,667.

- Section 31A (At Risk) funds of \$55,430 and Title/Comprehensive School Reform grant funds in the amount of \$15,606 were not expended. These amounts were not reflected in the final budget.
- The variance in debt service was due to the repayment of state aid to the Michigan Department of Education. The District was unaware of this payment when the final budget was adopted.

Capital Assets

Capital additions for the school year 2005-06 will be approximately \$93,524. The roof replacement project, which was started at the end of school year 2004-05, will be completed. No other capital projects have been budgeted.

	2005	2004
Land	\$ 7,079	\$ 7,079
Construction in progress	78,041	-
Land improvements	307,964	307,964
Buildings	8,347,638	8,347,638
Machinery & Equipment	1,150,414	1,143,335
Furniture	367,700	367,700
Vehicles	544,479	488,464
Total Capital Assets	10,803,315	10,662,180
Less accumulated depreciation	3,603,472	3,246,843
Net Capital Assets	\$ 7,199,843	\$ 7,415,337

The District had the following capital asset additions for the year ended June 30, 2005, Food Service computer software in the amount of \$7,079, and a bus in the amount of \$56,015.

Debt

As of June 30, 2005, the School District had \$5,540,859 in Long-Term Debt versus \$5,465,869 in the previous year – a change of 1%.

	2005		2004
Governmental Activities			
Bonds	\$ 5,235,000	\$	5,430,000
Contracts payable/Retirement	18,055		29,042
Accrued compensated absences	6,588		6,827
Due to State of Michigan	281,216		-
Totals	\$ 5,540,859	\$	5,465,869

The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issued "qualified debt," such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt. Other obligations include employee-compensated absences, retirement incentives, and due to State of Michigan. The notes to the financial statements contain detailed information on long-term liabilities.

The District refunded part of the 1999 Capital Projects bonds which will result in a savings to the District of approximately \$234,293 over the next sixteen years.

Economic Conditions Affecting Next Year's Budget

The District's student enrollment has been gradually declining. A preliminary student count for 2005-06 indicates that the enrollment will decrease from the 2004-05 level by approximately 15 students. This will have a direct impact on the revenue the District will receive from the State.

The MPSERS retirement rate will increase to 16.34% as October 1, 2005 from the current rate of 14.87%.

The contract for the AuGres-Sims Education Association, representing the teachers of our school district, remains unsettled for the school year 2005-06. While our budget adoption process will attempt to project for the settlement of this contract, the effect of settlement can only be estimated.

An audit of the TIFA district of the City of AuGres by the Department of Treasury disclosed the captured assessed valuation for tax years 1994 through 2003 was overstated, resulting in state school aid overpayments to the AuGres-Sims School District of \$361,828. The District applied for and was granted a payback extension of five years.

AUGRES-SIMS SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions regarding this report, please contact:

Robert E. Colby Superintendent AuGres-Sims School District 310 Court Street P.O. Box 648 AuGres, Michigan 48703

AUGRES-SIMS SCHOOL DISTRICT DISTRICT-WIDE STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

		overnmental Activities
Assets	Φ.	4 040 450
Cash	\$	1,046,158
Receivables		374
Inventories		3,122
Due from other governmental units		454,528
Prepaids		16,835
Capital assets less accumulated depreciation		7,199,843
Total Assets		8,720,860
Liabilities		
Current liabilities		
Accounts payable		102,527
Accrued liabilities		322,118
Deferred revenue		57,644
Bonds payable, due within one year		215,000
Retirement incentive, due within one year		8,333
Due to State of Michigan, due within one year		70,304
Long-term liabilities		
Bonds payable, due in more than one year		5,020,000
Retirement incentive, due in more than one year		9,722
Due to State of Michigan, due in more than one year		210,912
Compensated absences, due in more than one year		6,588
Total Liabilities		6,023,148
Net Assets		
Invested in capital assets net of related debt		1,964,843
Restricted for debt service		167,563
Unrestricted		565,306
Total Net Assets	\$	2,697,712

AUGRES-SIMS SCHOOL DISTRICT DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

							Go	overnmental
								Activities
							Ne	t (Expense)
				Prograi	n Reve	nues		evenue and
			Ch	arges for		rating Grants	Cha	anges in Net
Functions/Programs		Expenses		Services		Contributions		Assets
Instruction	\$	2,579,576	\$	14,685	\$	445,046	\$	(2,119,845)
Support services	Ψ	1,491,288	*	14,000	•	106,005	*	(1,385,283)
Community services		7,561		7,200		100,000		(361)
Food services		243,539		82,615		137,291		(23,633)
Athletics		73,068		27,801		700		(44,567)
		73,000		27,001		700		(44,507)
Interest & misc. expense		414 464						(414,464)
on long-term debt		414,464		-		-		
Depreciation (unallocated) Totals	Ф.	356,629	\$	122 201	•	680 042		(356,629)
iotais	\$	5,166,125	Φ	132,301	\$	689,042		(4,344,782)
	_							
		eral revenues	:					
		xes:						4 000 440
		roperty taxes I				S		1,622,110
		roperty taxes I		for debt serv	rice			461,854
	Sta	e aid - unrestri	icted					1,848,378
		rest						21,008
	Oth	er						17,442
	-	Total General F	Reven	ues				3,970,792
	Cha	ngo in Not Ass	oto					(373,990)
	Olia	inge in Net Ass	eus					(373,990)
	Net	Assets - Begin	ning o	of Year Rest	ated			3,071,702
	Net	Assets - End o	of Yea	r			\$	2,697,712

AUGRES-SIMS SCHOOL DISTRICT GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2005

				Food				Debt		
		General	_ :	Service	At	hletic	S	ervice		Totals
<u>Assets</u>										
Cash	\$	870,929	\$	41,139	\$1	0,551	\$ 1	123,539	\$	1,046,158
Accounts receivable		346		-		-		28		374
Inventory		-		3,122		-		-		3,122
Due from other funds		44,013		-		-		43,996		88,009
Due from other governments		452,321		2,207		-		-		454,528
Prepaid expenditures		15,620		1,215		-		-		16,835
Total Assets	\$	1,383,229	\$	47,683	\$ 1	0,551	\$ 1	67,563	\$	1,609,026
			-							
Liabilities and Fund Balance										
Liabilities										
Accounts payable	\$	101,823	\$	272	\$	432	\$	-	\$	102,527
Due to other funds	*	43,996	*	34,820		9,193	*			88,009
Deferred revenue		57,644		-		-,		-		57,644
Accrued expenditures		308,601		12,591		926		_		322,118
Total Liabilities		512,064		47,683	1	0,551			_	570,298
	_					,				
Fund Balance										
Reserved for debt retirement		-		-		-	1	67,563		167,563
Designated for capital improvements		152,758		-		-		-		152,758
Undesignated & unreserved		718,407		-		-		-		718,407
Total Fund Balance		871,165		-			1	67,563		1,038,728
			_							
Total Liabilities										
and Fund Balance	\$	1,383,229	\$	47,683	\$ 1	0,551	\$ 1	67,563	\$	1,609,026
		-					_			

AUGRES-SIMS SCHOOL DISTRICT RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO DISTRICT-WIDE STATEMENT OF NET ASSETS JUNE 30, 2005

Total Fund Balances - Governmental Funds	\$ 1,038,728
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds. The cost of the capital assets is Accumulated depreciation is	10,803,315 (3,603,472)
Long-term liabilities are not due and payable in the current period and are not reported in the funds: Bonds payable Contracts payable/Retirement incentive Compensated absences Due to State of Michigan	(5,235,000) (18,055) (6,588) (281,216)
Total Net Assets - Governmental Activities (District Wide)	\$ 2,697,712

AUGRES-SIMS SCHOOL DISTRICT GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2005

	General	Food Service	Athletic	Debt Service	Totals
Revenue					
Local	\$ 1,678,951	\$ 87,244	\$ 28,510	\$ 465,732	\$ 2,260,437
State	2,048,183	12,897	-	-	2,061,080
Federal	289,856	124,394	-	-	414,250
Other	56,368				56,368
Total Revenue	4,073,358	224,535	28,510	465,732	4,792,135
Expenditures					
Instruction					
Basic programs	2,048,942	-	-	, -	2,048,942
Added needs	541,860	-	-	-	541,860
Support services	•				
Pupil	87,954	-		-	87,954
Instructional staff	216,971	-	-	-	216,971
General administration	197,566	-	-		197,566
School administration	251,716	-	_	-	251,716
Business	118,233	-	·-	-	118,233
Operation and maintenance	439,193	-	_	-	439,193
Pupil transportation services	235,669	-	-	-	235,669
Building improvement service	78,042				78,042
Community services	7,561	-	-	-	7,561
Debt service	70,315	-	-	5,029,453	5,099,768
Food services	-	250,618	-	-	250,618
Athletic	-	-	73,068	-	73,068
Total Expenditures	4,294,022	250,618	73,068	5,029,453	9,647,161
Excess (Deficiency) of					
Revenues Over Expenditures	(220,664)	(26,083)	(44,558)	(4,563,721)	(4,855,026)
Other Financing Sources (Uses)		04.700	44.550	4 400 000	4 400 004
Sources	(00.004)	24,733	44,558	4,420,000	4,489,291
Uses	(69,291)				(69,291)
Total Other Financing Sources (Uses)	(69,291)	24,733	44,558	4,420,000	4,420,000
Net Change in Fund Balances	(289,955)	(1,350)	-	(143,721)	(435,026)
Fund Balances - Beginning of Year	1,161,120	1,350	-	311,284	1,473,754
Fund Balances - End of Year	\$ 871,165	\$ -	\$ -	\$ 167,563	\$ 1,038,728

AUGRES-SIMS SCHOOL DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Governmental Funds	\$ (435,026)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives.	-
Depreciation expense Capital outlay Repayment of bond principal is an expenditure in the	(356,629) 141,135
governmental funds, but not in the statement of activities	4,615,000
The proceeds from long-tern debt are a revenue in the governmental funds, but not in the statement of activities Bonds	(4,420,000)
In the statement of activities, certain expenses (retirement incentives, compensated absences) are measured by the amounts earned during the year. The governmental funds measure the financial resources used (paid). This year, the amount of these items paid exceeded the amounts earned.	
Compensated absences	239
Contracts payable/Retirement incentive	10,987
Due to State of Michigan	70,304
Change in Net Assets of Governmental Activities (District Wide)	\$ (373,990)

AUGRES-SIMS SCHOOL DISTRICT STATEMENT OF FIDUCIARY NET ASSETS JUNE 30, 2005

Agency Funds

Assets Cash, student organizations Total Assets	<u>\$</u>	37,691 37,691
Liabilities Due to student organizations Total Liabilities	\$	37,691 37,691

NOTE 1--Summary of Significant Accounting Policies

The AuGres-Sims School District (the "School District") operates under an elected Board of Education and provides educational services to approximately 511 students.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

B. District-Wide Statements

The District-Wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the primary government. The purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered to be governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not included among program revenues are reported instead as general revenue.

The District-Wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District-Wide approach is focused more on the sustainability of the School District as an entity and the change in the District's net assets from the current year's activities.

AUGRES-SIMS SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the District.

<u>General Fund</u> is the general operating fund of the School District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

<u>Special Revenue Funds</u> are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Food Service and Athletic funds are special revenue funds.

<u>Debt Service Funds</u> are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

<u>Capital Project Funds</u> are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School District programs.

For GASB 34 purposes, the emphasis in fund financial statements is on the major funds. The School District has opted to display information for all funds without regard to the criteria established by GASB 34 for determination of major funds. The School District's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used for activities or obligations of the government, these funds are not incorporated in the District-Wide statements.

NOTE 1--Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting records revenues when earned and expenses when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are still recognized when incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Receivables

Receivables consist of all revenues earned at year-end but not yet received. In general, outstanding balances between funds are reported as "due to/from other funds".

Inventories

Inventories consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method.

AUGRES-SIMS SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Prepaid

Prepaid amounts consist of payments for which the District will have a future benefit and will be used up at a date beyond the current year-end.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The School District does not possess infrastructure type assets.

Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings	50 years
Land improvements	20 years
Buses and other vehicles	8 years
Furniture, equipment and computers	5-20 years

Accounts Payable

Accounts payable consist of items from which the District benefited during the current fiscal year but has not yet paid.

Accrued Liabilities

Accrued liabilities consist of amounts due on employees' contracts that are due and payable for the current fiscal year and items related to salaries payable, specifically the District's portion of FICA and Medicare taxes and retirement contributions.

Deferred Revenue

Deferred revenue represents amounts for which the District has received or is due to receive but has not yet earned. Deferred revenue is usually caused by the receipt of certain categorical funds that are not expended by the close of the fiscal year. The revenues are deferred until the proceeds have been fully expensed/expended.

AUGRES-SIMS SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. Retirement incentives are the result of agreements made between the District and certain employees opting for early retirement. The liability for compensated absences reported in the District-Wide statements consist of unused, accumulated absence balances per support staff. The liability has been calculated based on a per employee limit of 100 days accumulated at a \$10.00 per day payment. Payments are to be made if an employee accumulates over the 100-day limit or retires. The District has concluded that estimating a current portion of compensated absences would be impossible; therefore, no portion is recorded as such. Due to the State of Michigan is as a result of a Department of Treasury audit in which the Department of Treasury concluded the District had been overpaid for state school aid. The Michigan Department of Education is allowing the District to repay the overpayment over five years.

Inter-fund Activity

Inter-fund activity is reported as loans, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables and are eliminated upon consolidation. Transfers are eliminated upon consolidation.

NOTE 2--Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the General Fund, Food Service Fund, and the Athletic Fund. The accounting basis of the budgets is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

- The District's Superintendent submits to the Board of Education a proposed budget by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- The Superintendent is authorized to transfer budgeted amounts within functional expense lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.

NOTE 2--Stewardship, Compliance, and Accountability (continued)

 Budgeted amounts shown in the supplemental information reflect amendments through June 30.

The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by June 30. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The School District variances are illustrated in the required supplemental information.

NOTE 3--Deposits and Investments

The School District is authorized, by the State of Michigan, to deposit its fund in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The District is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks,
- f. Mutual funds investments which local unit can make directly.

All cash is held by federally insured financial institutions. The FDIC insures up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposit for the \$100,000 limitation.

A summary of bank cash and investments is as follows:

					Į	Jninsured
Cash	Total	Insured	Colla	teralized	Und	collateralized
General Fund	\$ 999,995	\$ 125,321	\$	-	\$	874,674
Special revenue	51,894	-		-		51,894
Agency	38,947	-		-		38,947
Debt service	123,539	-		-		123,539
Total	\$ 1,214,375	\$ 125,321	\$	-	\$	1,089,054

The District does not have an investment policy, but is in the process of adopting a policy.

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Capital assets not subject to depreciation Land	\$ 7,079	\$	\$ -	\$ 7,079
Construction in progress Athletic complex Roof	-	9,800 68,241	-	9,800 68,241
Subtotal	7,079	78,041		85,120
Capital assets subject to depreciation				
Land Improvements	307,964	-	-	307,964
Buildings	8,347,638	-	-	8,347,638
Machinery & Equipment	1,143,335	7,079	-	1,150,414
Furniture	367,700	-	-	367,700
Vehicles	488,464	56,015		544,479
Subtotal	10,655,101	63,094		10,718,195
Total Capital Assets	10,662,180	141,135	-	10,803,315
Accumulated depreciation				
Land Improvements	230,178	3,330	-	233,508
Buildings	1,686,052	163,212	-	1,849,264
Machinery & Equipment	820,018	139,424	-	959,442
Furniture	127,336	16,710		144,046
Vehicles	383,259	33,953		417,212
Total Accumulated Depreciation	3,246,843	356,629		3,603,472
Total Net Capital Assets	\$ 7,415,337	\$ (215,494)	\$ -	\$ 7100.942
Total Net Capital Assets	ψ 1,410,001	\$ (215,494)	φ -	\$ 7,199,843

Depreciation expense was not charged to activity as the District considers its capital assets to impact multiple activities and allocation is not practical.

NOTE 5--Inter-fund - Receivables, Payables, and Transfers

The makeup of inter-fund balances and transfers is as follows:

Due From/Due To

Fund	Receivable	Fund	Payable
General	34,820	Food	34,820
General	9,193	Athletics	9,193
Debt service	43,996	General	43,996
	\$ 88,009		\$ 88,009
Transfers			
Fund	Transfer In	Fund	Transfer Out
Food	\$ 24,733	General	\$ 24,733
Athletics	44,558	General	44,558
	\$ 69,291		\$ 69,291

For the year ended June 30, 2005, transfers from the general fund to the athletic and food service funds were to subsidize these programs.

NOTE 6--Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term debts include compensated absences, retirement incentives and due to the State of Michigan. Long-term debt activity is summarized as follows:

	Balance July 1, 2004		Additions Retirements			Ju	Balance ne 30, 2005	Current Portion		
Governmental Activities										
Bonds	\$	5,430,000		\$	4,615,000	\$	815,000	\$	165,000	
Refunding bonds		-	4,420,000				4,420,000		50,000	
Contracts payable/Retirement		29,042			10,987		18,055		8,333	
Accrued compensated absences		6,827			239		6,588		-	
Due to State of Michigan			351,520		70,304	_	281,216		70,304	
Totals	\$	5,465,869	\$ 4,771,520	\$	4,696,530	\$	5,540,859	\$	293,637	

NOTE 6--Long-Term Debt (continued)

Annual debt service requirements to maturity for the above governmental bonds and retirement obligations are as follows:

	Retirement			
	& Compensated			
Year Ended	Absences	Principal	Interest	Total
2005-06	14,921	285,304	246,882	547,107
2006-07	8,334	310,304	220,787	539,425
2007-08	1,388	335,304	209,438	546,130
2008-09	-	365,304	196,650	561,954
2009-2010		315,000	182,162	497,162
2010-11 thru 2014-15	-	1,950,000	687,124	2,637,124
2015-16 thru 2019-20	-	1,955,000	199,200	2,154,200
Totals	\$ 24,643	\$ 5,516,216	\$ 1,942,243	\$ 7,483,102

For the year ended June 30, 2005, the total interest paid on bonded debt was \$285,402.

NOTE 7--Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The District has joined together with other school districts in Michigan to form SET-SEG, a public entity risk pool currently operating as a common risk management and insurance program for member Michigan school districts. The District pays an annual premium to SET-SEG for its workers' compensation insurance coverage. The Agreement for formation of the SET-SEG provides that SET-SEG will be self-sustaining through member premiums. The District continues to carry commercial insurance for all other risks of loss.

NOTE 8--Pension Plan

The School District's defined benefit pension plan provides retirement, survivor and disability benefits to its employees. The District participates in the Michigan Public School Employees Retirement System (MPSERS), a cost sharing multiple-employer, statewide plan governed by the State of Michigan. Benefit provisions are established by state statute. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the MPSERS Directors, PO Box 30673, Lansing, Michigan 48909 or by calling (517) 322-6235.

AUGRES-SIMS SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Pension Plan (continued)

Funding Policy

The School District is required to contribute at an actuarially determined rate; the current rate is 14.87% of covered payroll. Employees hired before January 1, 1990 contribute 3.9% of their gross pay. Employees hired January 1, 1990 or later contribute between 3% and 4.3%. The contribution requirements are established and may be amended by the State of Michigan.

The contribution requirements of plan members are established and may be amended by the State of Michigan. The District's contributions to MPSERS for the current year and the preceding two years were \$365,180, \$324,309, and \$320,107, respectively, which was 100% of the annual required contribution.

NOTE 9--Operating Lease

During the fiscal year 2000, the AuGres-Sims School District entered into a lease agreement for copy machines. Lease expense for this agreement was \$7,300 and \$14,600 for the years ended June 30, 2005, and 2004, respectively.

During the fiscal year 2005, the District entered into a new lease. Lease expense for the year ended June 30, 2005 was \$8,963. Subsequent payments are as follows:

June 30,	P	Payments			
2006	\$	14,904			
2007		14,904			
2008		14,904			
2009		14,904			
2010		6,210			
	\$	65,826			

NOTE 10-Self-Funded Insurance

The AuGres-Sims School District offers a self-insured dental and vision plan to all employees. Participants and their eligible dependents are entitled to benefits as outlined by the AuGres-Sims School District.

NOTE 11--Deferred Compensation Plan

The AuGres-Sims School District established a Section 457(b) Deferred Compensation Plan for its employees. The plan, which became effective as of January 1, 2003, is available to all employees of the District. For 2005, employees can defer up to the lesser of the Internal Revenue Service threshold or 100% of their compensation. Contributions limits are subject to changes in U.S. Tax Laws. AuGres-Sims School District does not make any contributions to the Plan.

NOTE 12--Fund Balance Reservations and Designation

AuGres-Sims School District has reserved the following amounts in fund balance:

		Food	Debt	
	General	Service	Service	Total
Reserved for debt retirement	\$ -	\$ -	\$ 167,563	\$ 167,563
Designated for capital improvements	152,758			152,758
Total Reservations & Designations	\$ 152,758	\$ -	\$ 167,563	\$ 320,321

NOTE 13--Advance Refund of Bond Resulting in Defeasance of Debt

During the fiscal year ended June 30, 2005, the District issued \$4,420,000 in general obligation-refunding bonds with interest rates ranging between 2.50% and 4.00%. The District issued the bonds to advance refund \$4,470,000 of the outstanding series 1999 general obligation bonds with interest rates ranging from 5.25% to 5.30%. The District used the net proceeds along with other sources to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded 1999 series bonds. As a result, the 1999 series bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$4,470,000 as of June 30, 2005.

The advance refunding reduced the total debt service payments over the next 16 years by \$460,617. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$234,293.

NOTE 14--Restated Net Assets

The beginning balance of net assets was restated by \$315,520 to reflect the amount due to the State for an overpayment of State Aid over the past ten years.

As of July 1, 2004	_	
Net Assets	\$	3,423,222
Due to State of Michigan		(315,520)
Net Assets, Restated	\$	3,107,702

REQUIRED SUPPLEMENTAL INFORMATION

AuGres-Sims School District Budgetary Comparison For the Year Ended June 30, 2005

	Positive (Negative)	54 \$ 619 187 - 8,894 191 (3,521) 136 5,992							,	318 (8,179) 368 837		386 (7,342)	(1,350) (1,350)	1,350
-unds \thletic)	Actual	\$ 115,754 12,897 124,394 69,291 322,336								250,618		323,686	. (1,3	. 6
Special Revenue Funds (Food Service and Athletic)	Final Budget	\$ 115,135 12,897 115,500 72,812 316,344		·		•				242,439		316,344	·	1,350
Spe (Food	Original Budget	\$ 120,950 20,500 125,000 50,728 317,178		٠	i i	•				237,655		317,178	•	1,350
	Positive (Negative) Variance	\$ 5,753 9,400 (16,106) 835 (118)	11,663 60,553	(20)	10,723	5,137	1,068 (9,750)	831	15,200		(70,315)	36,354	36,236	\$ 36.236
General Fund	Actual	\$ 1,678,951 2,048,183 289,856 56,368 4,073,358	2,048,942 541,860	87,954	216,971	251,716	118,233 439,193	235,669 7.561	78,042		70,315	4,363,313	(289,955)	1,161,120
Gener	Final Budget	\$ 1,673,198 2,038,783 305,962 55,533 4,073,476	2,060,605	87,904	227,694	256,853	119,301 429,443	236,500	93,242		71.882	4,399,667	(326,191)	1,161,120
	Original Budget	\$ 1,343,512 2,419,709 305,040 64,886 4,133,147	2,139,870 567,618	86,439	217,586	256,250	121,260 405,006	208,470			61.228	4,264,314	(131,167)	1,161,120
		Revenue Local State Federal Incoming transfers and other Total Revenues	Expenditures Instruction Basic programs Added needs	Support Services Pupil	Instructional staff General administration	School administration	Business Operation and maintenance	Pupil transportation services Other	Building improvement service	Food service Athletic activities	Debt service Outgoing transfers	Total Expenditures	Excess (Deficiency) of Revenues Over Expenditures	Fund Balance - Beginning of Year Fund Balance - End of Year

See independent auditor's report.

ADDITIONAL SUPPLEMENTAL INFORMATION

AuGres-Sims School District Schedules of Outstanding Bonded Indebtedness June 30, 2005

Date of Issue:

November 8, 1999

Original Amount of Issue:

\$5,890,000

Partially refunded in 2005

Purpose of the Issue:

Erecting, furnishing, and equipping additions to and remodeling, refurnishing, and re-equipping school buildings; and developing and improving sites.

Year Ending	Interest				
June 30,	Rate	 Principal	 Interest		Total
2006	5.25	165,000	42,788		207,788
2007	5.25	190,000	34,125		224,125
2008	5.25	215,000	24,150		239,150
2009	5.25	245,000	12,862		257,862
		\$ 815,000	\$ 113,925	\$	928,925

Date of Issue:

March 2005

Original Amount of Issue:

\$4,420,000

Refunding Bonds

Purpose of the Issue:

Erecting, furnishing, and equipping additions to and remodeling, refurnishing, and re-equipping school buildings; and developing and improving sites.

Year Ending	Interest			
June 30,	Rate	Principal	Interest	Total
2006	2.50	50,000	204,094	254,094
2007	2.75	50,000	186,662	236,662
2008	3.00	50,000	185,288	235,288
2009	3.25	50,000	183,788	233,788
2010	4.00	315,000	182,162	497,162
2011	4.00	340,000	169,562	509,562
2012	4.25	365,000	155,962	520,962
2013	5.00	390,000	140,450	530,450
2014	5.00	415,000	120,950	535,950
2015	5.00	440,000	100,200	540,200
2016	4.00	460,000	78,200	538,200
2017	4.00	480,000	59,800	539,800
2018	4.00	500,000	40,600	540,600
2019	4.00	515,000	20,600	535,600
		\$ 4,420,000	\$ 1,828,318	\$ 6,248,318

AuGres-Sims School District Agency Funds Schedule of Activity and Amount Due to Student Groups For the Year Ended June 30, 2005

	Cash			Cash
	Balance	Cash	Cash	Balance
	July 1, 2004	Receipts	Disbursements	June 30, 2005
Activity Accounts				
Annual	\$ 746	\$ 7,010	\$ 7,682	\$ 74
Art Club	143	540	540	143
Band Account	150	123	123	150
Baseball	303	2,594	1,751	1,146
Basketball/Boys	2,823	4,696	4,716	2,803
Basketball/Girls	6,007	3,297	6,703	2,601
Cheerleaders/JH	80	-	-	80
Cheerleaders/JV V	155	-	-	155
Class of 2004	102	-	-	102
Class of 2005	1,247	840	1,443	644
Class of 2006	1,011	1,098	1,226	883
Class of 2007		1,950	1,920	30
Class of 2008	-	48	78	(30)
Delores Jose Corey Scholarship	3,500	250	500	3,250
Drama Club	2,181	788	1,269	1,700
Elementary Education	7,650	7,675	5,509	9,816
Football	1,656	10,052	8,000	3,708
French Club	122	-	-	122
Golf	230	-	230	-
Irene Nowak Scholarship fund	1,332	-	800	532
Leadership class	_	274	. 5	269
Library-JH/HS	20	-	22	(2)
Middle School Student Council	2,353	11,913	13,965	301
Miscellaneous	474	2,324	2,615	183
National Honor Society	476	343	361	458
Pay to Participate	-	8,381	8,381	-
Principal/Miscellaneous	298	483	350	431
Ron Christie Fund	-	1,000	1,000	-
Science Club	81	-	-	81
Softball	282	2,320	2,083	519
Special Ed	407	23	566	(136)
Student Assistance	50	-	28	22
Student Council	943	2,743	3,421	265
Student Purchases	2,690	8,858	7,443	4,105
Teachers	271	1,035	295	1,011
Tom Wallis Scholarship Fund	1,180	1,000	1,560	620
Voice	-	16	-	16
Volleyball	256	3,746	2,767	1,235
Wood Shop	77	327		404
Total Due to Students Groups	\$ 39,296	\$ 85,747	\$ 87,352	\$ 37,691

See independent auditor's report.

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner Giacamo Provenzano James R. Schauman Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH

GOVERNMENT AUDITING STANDARDS

August 16, 2005

To the Board of Education AuGres-Sims School District AuGres, Michigan

We have audited the financial statements of AuGres-Sims School District as of and for the year ended June 30, 2005, and have issued our report thereon dated August 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AuGres-Sims School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect AuGres-Sims School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

We noted an absence of appropriate segregation of duties consistent with appropriate control objectives.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AuGres-Sims School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dardner, Privenzomo, Achauman 3 Thomas, P. C.

Certified Public Accountants